



Milk Pricing

NEWSLETTER

Dairy Marketing Branch, CDFA

September 2002

NATIONAL COMMODITY PRICES CONTINUE TO BE SLUGGISH

The minimum price of milk, established by the Department each month, is the price that dairy processors must pay for milk used to produce dairy products. National commodity prices, primarily butter, Cheddar cheese, and nonfat dry milk, are significant factors in determining the minimum milk price (*See national commodities prices chart on page 2*).

The national commodity price for butter decreased significantly compared to last month. Consequently, the price for whole milk decreased by three and one tenths cents per gallon, reduced fat milk decreased one and seven tenths cents per gallon, and lowfat milk decreased eight tenths of a cent per gallon. However, skim milk prices remained unchanged.

The national commodity price for Cheddar cheese decreased last month and cheese offerings are still exceeding demand. The increase in milk consumption with the start of the new school year has reduced milk supplies available for cheese production which may help reduce cheese inventories. The lackluster economy and the fact that despite commodity prices being down, retail prices have not reflected the price changes evident in wholesale markets, have both contributed to high levels of butter and cheese storage inventories.

The table below shows individual prices for the four types of fluid milk by container size and the price changes from the previous month. The prices listed represent the minimum price paid by processors for the milk only - no other processing costs are included.

Minimum Prices for the Four Types of Fluid Milk by Container Size for October 2002

Northern California	Gallon	1/2 Gallon	Quart	Pint	1/3 Quart	1/2 Pint
Whole Milk	\$1.029	\$0.515	\$0.257	\$0.129	\$0.086	\$0.064
Reduced Fat (2%)	\$0.989	\$0.494	\$0.247	\$0.124	\$0.086	\$0.062
Lowfat (1%)	\$0.970	\$0.485	\$0.243	\$0.121	\$0.081	\$0.061
Nonfat (Skim)	\$0.759	\$0.379	\$0.190	\$0.095	\$0.063	\$0.047
Southern California						
Whole Milk	\$1.053	\$0.526	\$0.263	\$0.132	\$0.088	\$0.066
Reduced Fat (2%)	\$1.012	\$0.506	\$0.253	\$0.127	\$0.084	\$0.063
Lowfat (1%)	\$0.994	\$0.497	\$0.248	\$0.124	\$0.083	\$0.062
Nonfat (Skim)	\$0.783	\$0.392	\$0.196	\$0.098	\$0.065	\$0.049

Price Changes from the Previous Pricing Period

	Gallon	1/2 Gallon	Quart	Pint	1/3 Quart	1/2 Pint
Whole Milk	\$0.031↓	\$0.015↓	\$0.008↓	\$0.004↓	\$0.003↓	\$0.002↓
Reduced Fat (2%)	\$0.017↓	\$0.009↓	\$0.004↓	\$0.002↓	\$0.001↓	\$0.001↓
Lowfat (1%)	\$0.008↓	\$0.004↓	\$0.002↓	\$0.001↓	\$0.001↓	\$0.001↓
Nonfat (Skim)	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000

California Department of Food and Agriculture (CDFA)

William (Bill) Lyons Jr., Secretary

Price Information Lines: (800) 503-3490 within California; (916) 442-MILK outside California
Phone (916) 654-1456; Website: www.cdfa.ca.gov/dairy; email address: dairy@cdfa.ca.gov

Minimum Prices for the Milk Component of Various Manufactured Dairy Products

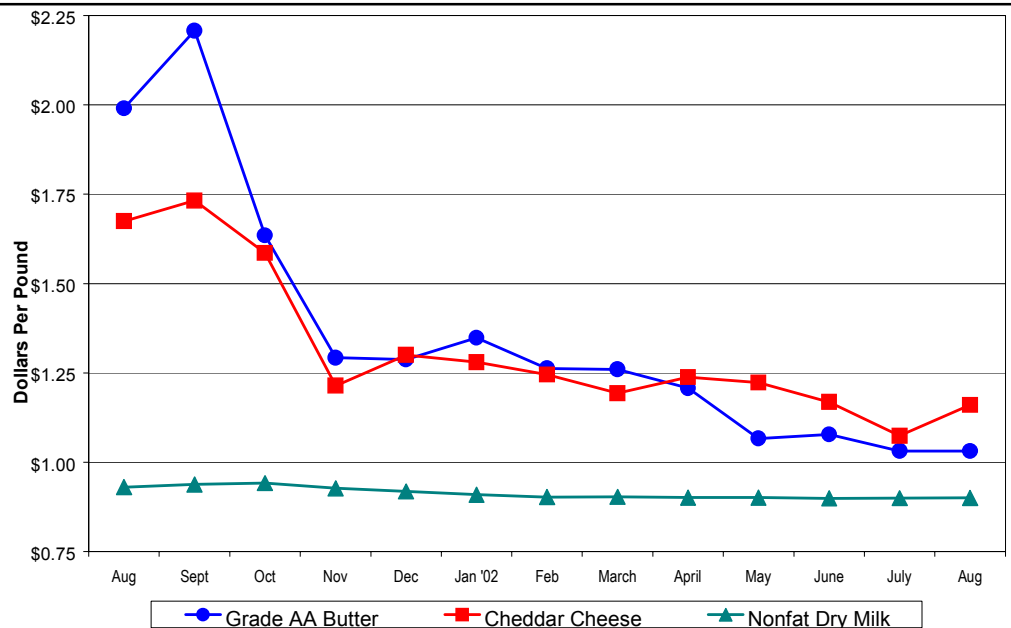
The minimum prices for the raw milk component used by processors in manufacturing dairy products are listed in the table to the right. No other costs incurred by the processor are included, such as:

- milk quality premiums,
- milk composition premiums,
- competitiveness for availability of milk premiums,
- transportation costs,
- plant processing costs,
- service charges
- marketing costs

	Lowfat Yogurt (\$/quart)	Super- Premium Ice Cream (\$/ 1/2 gal)	Generic Ice Cream (\$/ 1/2 gal)	Butter (\$/lb)	Cheese (\$/lb)
February	\$0.21	\$1.32	\$0.51	\$1.11	\$1.04
March	\$0.21	\$1.32	\$0.51	\$1.10	\$1.02
April	\$0.20	\$1.25	\$0.48	\$1.04	\$1.06
May	\$0.20	\$1.25	\$0.48	\$0.92	\$1.02
June	\$0.20	\$1.16	\$0.45	\$0.90	\$0.96
July	\$0.20	\$1.16	\$0.45	\$0.88	\$0.89
Aug	\$0.20	\$1.09	\$0.43	\$0.85	\$0.97
Sept.	\$0.20	\$1.09	\$0.43	—	—

National Commodity Prices for August 2001 - August 2002

Grade AA Butter,
Block Cheddar
Cheese, and Nonfat
Dry Milk Prices Used in
the Calculation of
California Milk Prices



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